

## DECISION MEMORANDUM

**TO:** COMMISSIONER KJELLANDER  
COMMISSIONER SMITH  
COMMISSIONER RAPER  
COMMISSION SECRETARY  
COMMISSION STAFF

**FROM:** DAPHNE HUANG  
DEPUTY ATTORNEY GENERAL

**DATE:** SEPTEMBER 14, 2015

**SUBJECT:** IDAHO POWER'S APPLICATION TO APPROVE OR REJECT  
ENERGY SALES AGREEMENT WITH NORTH GOODING MAIN  
HYDRO LLC, CASE NO. IPC-E-15-24

On September 8, 2015, Idaho Power Company filed an Application asking the Commission to accept or reject its Energy Sales Agreement (ESA) with North Gooding Main Hydro LLC. The ESA is for the sale and purchase of electric energy generated by the North Gooding Main Hydro Project, a “qualifying facility” as defined under the Public Utility Regulatory Policies Act (PURPA), located near Gooding, Idaho. Idaho Power asks that its Application be processed by Modified Procedure.

### LEGAL BACKGROUND

Under PURPA, electric utilities such as Idaho Power must purchase electric energy from qualifying facilities (QFs) at rates approved by this Commission. 16 U.S.C. § 824a-3; *Idaho Power Company v. Idaho PUC*, 155 Idaho 780, 789, 316 P.3d 1278, 1287 (2013), *citing FERC v. Mississippi*, 456 U.S. 742, 751 (1982). The purchase or “avoided cost” rate must be “just and reasonable to the electric consumers . . . and in the public interest” and “shall not discriminate against [QFs].” 16 U.S.C. § 824a-3(b); 18 C.F.R. § 292.304. The Commission has established two methods of calculating avoided cost, depending on the size of the QF project. The Commission uses the Surrogate Avoided Resource (SAR) methodology to calculate and publish rates for QFs with a design capacity up to a prescribed eligibility cap. *See* Order No. 32697 at 7-8. For QFs using non-wind, non-solar resource-types – such as hydro – the published rate eligibility cap is 10 average megawatts (aMW). *Id.*

### THE AGREEMENT

On July 29, 2015, Idaho Power entered into its ESA with North Gooding – subject to this Commission’s approval – pursuant to the terms and conditions of various Commission

Orders and PURPA. Application at 3. North Gooding's facility is a seasonal hydro project. *Id.* Under the terms of the ESA, North Gooding elected to contract with Idaho Power for a 20-year term using the levelized published avoided cost rates as currently established by Commission Order No. 33305 for energy deliveries less than 10 aMW. *Id.*

The nameplate rating of North Gooding's facility is 1.3 megawatts (MW). *Id.* at 4. North Gooding will be required to provide data on the facility that Idaho Power will use to confirm that under normal or average conditions, the facility will not exceed 10 aMW on a monthly basis. *Id.* North Gooding has selected April 1, 2017, as the Scheduled Operation Date. *Id.* Under the ESA, various requirements have been placed on North Gooding in order for Idaho Power to accept energy deliveries from the facility. *Id.* Idaho Power will monitor all ongoing requirements through the full term of the ESA. *Id.*

The ESA provides that all interconnection charges and monthly operational or maintenance charges under Schedule 72 will be assessed to North Gooding. *Id.* Before the facility will deliver any energy to Idaho Power, all requirements of the Schedule 72 Generator Interconnection Agreement (GIA) must be complete, and the facility must be designated as a network resource (DNR) to serve Idaho Power's retail load on its system. *Id.* at 4-5. In its Application, Idaho Power states that a GIA is expected to be signed by May 1, 2016. *Id.* at 5.

By its own terms, the ESA will not become effective until the Commission has approved all of its terms and conditions and declared that all payments made by Idaho Power to North Gooding for purchases of energy will be allowed as prudently incurred expenses for ratemaking purposes. *Id.*

#### **STAFF RECOMMENDATION**

Staff recommends that the case be processed by Modified Procedure with a 21-day comment deadline.

#### **COMMISSION DECISION**

Does the Commission wish to issue a Notice of Application and Notice of Procedure setting a 21-day comment deadline?

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Deputy Attorney General

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